



# WEEKLY ECONOMIC DIGEST

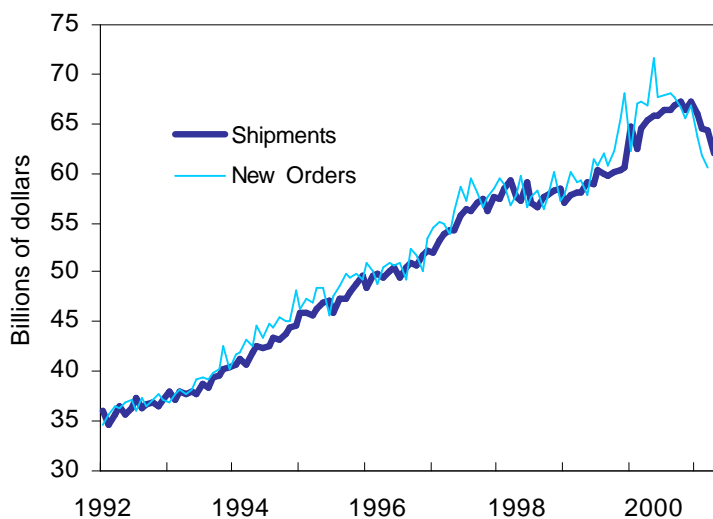
JOINT ECONOMIC COMMITTEE—DEMOCRATIC STAFF  
SENATOR JACK REED—RANKING MEMBER



June 12, 2001

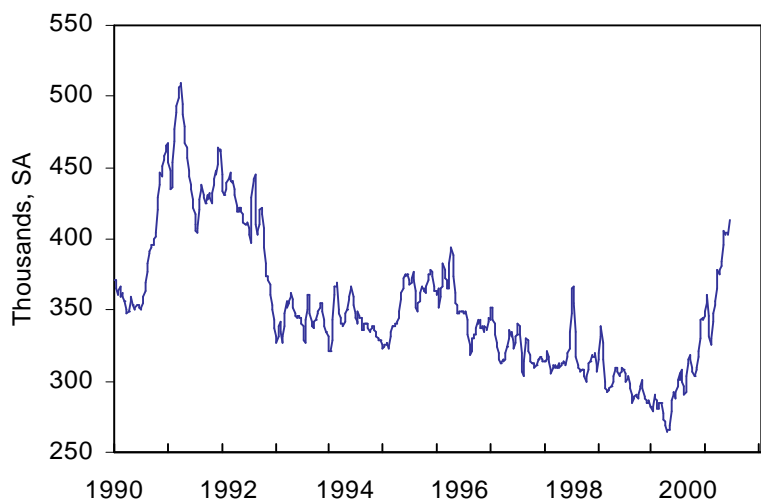
## Early Indications of Another Weak Quarter

Shipments and New Orders of Nondefense Capital Goods Excluding Aircraft



Source: U.S. Census Bureau, U.S. Department of Commerce.

Initial Claims for Unemployment Insurance:  
Four-Week Moving Average



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- ***First-quarter productivity was weaker than previously thought.*** Revised estimates for the first quarter of 2001 indicate that nonfarm business productivity fell at an annual rate of 1.2 percent from its level at the end of 2000, the largest quarterly drop in eight years.
- ***Second-quarter capital spending is weakening with no turnaround in sight.*** Factory shipments of nondefense capital goods excluding aircraft plummeted 3.4 percent in April. Moreover, new orders for this category dropped 13 percent below their pace a year earlier.
- ***Initial claims for unemployment insurance are rising.*** During the week ending June 2, the number of new applications for unemployment insurance rose sharply to 432,000—the highest level since late 1992. Consistent with the surge in layoff announcements earlier this year, new claims have risen to levels that strongly indicate that the overall level of unemployment will continue to rise in the near term.
- ***Consumer buying appears to be weakening.*** Apart from vehicle sales, which continue to hold up (perhaps in response to manufacturers' incentives), consumer purchases may be slipping. The Mitsubishi Bank's index of chain-store sales for May was a mere 1.6 percent above its level a year earlier, suggesting that next week's retail sales data may prove disappointing. The most recent data suggest a shift in consumer purchases toward lower-priced goods.

ECONOMY AT A GLANCE	May	Apr	Mar	Feb	2001 Qtr 1	2000 Qtr 4	2000 Qtr 3	2000 Qtr 2	2000	1999
<b>Economic Activity</b>										
Real GDP (% growth)					1.3	1.0	2.2	5.6	5.0	4.2
Industrial Production (% growth)		-3.5*	-1.2	-4.7	-6.5	-0.9	3.5	7.9	5.6	4.2
Capacity Utilization(Level, %)		78.5	78.9	79.2	79.3	81.3	82.4	82.6	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.4	4.5	4.3	4.2	4.2	4.0	4.0	4.0	4.0	4.2
Housing Starts (Thousands)		1609	1586	1623	1625	1539	1505	1586	1575	1647
Real Disposable Personal Income (% growth)		.8	5.7	3.3	2.3	0.7	2.6	3.7	2.8	3.2
Retail Sales (% growth)		10.2*	-4.3	-2.5	3.9	0.4	5.5	1.7	7.7	9.1
Personal Saving Rate (Level, %)		-7	-6	-8	-9	-0.7	-0.2	0.3	-0.1	2.2
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)		3.7*	1.2	3.7	4.1	2.9	3.5	3.0	3.4	2.2
Core CPI-U Inflation (% growth)		2.4*	2.4	3.7	3.2	2.4	2.5	2.7	2.4	2.1
Compensation per Hour (% growth)					4.6	3.5	3.8	4.2	4.3	3.2
Output per Hour (% growth)					-1.2	2.0	3.0	6.3	4.3	2.6
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	3.6	3.9	4.4	4.9	4.8	6.0	6.0	5.7	5.8	4.6
T-Note Rate, 10-years (Level, %)	5.4	5.1	4.9	5.1	5.1	5.6	5.9	6.2	6.0	5.6
Federal Funds Rate (Level, %)	4.2	4.8	5.3	5.5	5.6	6.5	6.5	6.3	6.2	5.0
Dow Jones Industrial Avg (Index Level)	11105	10235	10081	10775	10513	10586	10882	10703	10735	10465

SOURCES: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

NOTES: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

\* Subject to revision this week.

### Major Economic News Due This Week:

- Retail Sales, May [Release: Wednesday, June 13, 2001]
- Consumer Price Index, May [Release: Friday, June 15, 2001]
- Industrial Production, May [Release: Friday, June 15, 2001]

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